2026

Purpose | Pressure | Place

Bridging the Gap:
Rethinking Shared Ownership



L&Q

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1. Foreword - Steve Moseley

The aspiration to own a home remains strong among millions of families. In high-cost cities like London and Manchester, however, that goal is increasingly out of reach. Shared ownership was created over 40 years ago to bridge the gap, offering a route into homeownership for people who would otherwise be priced out of buying a home.

When it works, it can be life-changing. Yet for some, the reality doesn't always match the promise. We've listened to our shared owners and heard that rising service charges, complex resale processes, and administrative hurdles can undermine the security shared ownership is meant to provide. A model developed decades ago is now being tested by a combination of market dynamics and the changing needs and expectations of the people it was designed to help.

We wanted to understand why satisfaction with shared ownership can be low. Behind every statistic is a person's experience, and we were keen to learn directly from shared owners about what is working, what isn't, and where change is needed.

In partnership with King's College London, we spent time listening to shared owners and frontline colleagues to understand those experiences in depth. By unpicking the pressure points, a clearer picture emerged. Concerns about affordability, management, and long-term confidence in the product are closely connected, and are often experienced by shared owners as different parts of the same problem.

For L&Q, the findings go to the heart of our purpose. We want people to be proud of their home, and that starts with delivering services they can rely on. That's why I was proud to play a role in the development of the Shared Ownership Code, working alongside others across the sector to improve the experience of shared owners. I've seen first-hand the difference shared ownership can make for people who want to buy a home, and the Code reflects many of the issues residents tell us matter most, including greater transparency, clearer expectations and a better customer experience throughout their journey. As a mark of our commitment to driving higher standards, L&Q became the first G15 housing association to adopt the voluntary framework.

But better management alone will not resolve every challenge. If shared ownership is to remain a viable route into homeownership, providers, policymakers and partners must work together to improve the model.

This research points to practical changes that could make a meaningful difference to shared owners' experiences. Drawing on the evidence and insights gathered through the study, we've identified three policy recommendations:

Support those with children

Raise London's shared ownership household income cap from £110,000 to £120,000 for those with children. We welcome the Government's new announcement lifting the London shared ownership income cap from £90,000 to £110,000. However, we don't think this goes far enough for London families who face particular homeownership challenges. As families grow, fixed income thresholds can leave households trapped between homes that no longer meet their needs and an open market that remains out of reach.

Make staircasing more achievable

Allow shared owners to purchase additional equity in smaller increments of 2%, 3% or 4%. The current system can make the next step difficult, limiting opportunities for households to build equity gradually over time.

Reduce exposure to major repair costs

Explore additional government subsidy for sinking funds to help fund major works. Shared owners are often responsible for 100% of the cost of capital repairs and improvements that maintain the value of a building, even when they own only a share of the property. Publicly supported funding mechanisms could help create a fairer approach while reducing financial strain for households.

For thousands of people, shared ownership continues to offer a step onto the housing ladder. To continue fulfilling that role, it must evolve alongside the people who rely on it. Living up to the promise of shared ownership starts with listening to shared owners. This report is an invitation to work together to create a model that is fairer, more sustainable, and better serves the people it's intended to help



Steve Moseley - Executive Group Director of Governance and Transformation

2. Executive Summary

Homeownership in London has become increasingly inaccessible, particularly for younger and middle-income households. This is a major problem: as affordability pressures push Londoners without access to wealth to its fringes, or out of it altogether, the make-up and feel of the city shifts significantly. In this context, shared ownership plays a critical role as a national low-cost homeownership product specifically designed for households unable to afford full homeownership outright.

Despite these benefits, shared ownership is facing significant challenges. Satisfaction among shared owners is considerably lower than desired, driven by rising service charges, increasing living costs, complex building management arrangements, and frustrations around staircasing and resale. Many shared owners report feeling trapped within the product: unable to staircase due to affordability barriers but also facing difficulties when trying to sell.

To better understand these issues, L&Q commissioned King's College London[1] to undertake a systems-thinking study involving both residents and staff. Through workshops, causal loop mapping, and policy development exercises, the research explored how different factors interact to shape shared owner satisfaction.

This report attempts to answer the following questions:

- What are the key factors that contribute to low satisfaction for shared ownership?
- What can be done, by shared ownership providers and others, to address these factors?

The findings demonstrated that dissatisfaction cannot be attributed to a single cause.

Three key themes emerged from the research which are driving low resident satisfaction:

- Affordability and resale challenges are reducing satisfaction and limiting mobility, particularly as rents, mortgage costs, and service charges have risen
- Complex building and management arrangements are increasing operating costs and creating barriers to effective management, particularly in Section 106 developments where housing associations have limited influence over design and estate management decisions
- Transparency and control remain major concerns, with residents often struggling to understand service charge increases or who is responsible for decisions affecting their homes.

L&Q acknowledges there is more we can do. Like many providers, we are already taking steps to address these challenges, particularly around complexity. This includes strengthening oversight of third-party managing agents and becoming more involved in building design processes to simplify services and amenities.

We are also working to improve transparency by enhancing communication and engagement with shared owners, while preparing for new regulatory requirements under the Social Tenants Access to Information Scheme (STAIRS). The Commonhold and Leasehold Reform Bill, once passed by Parliament, will make commonhold the default tenure for flats and give leaseholders and shared owners greater influence over decisions such as annual budgets and the oversight of managing agents.

1. King's College London did not contribute to the drafting or revision of this report and does not endorse its contents or L&Q. King's contribution to the project is described separately in the King's College London report. Only the figures expressly attributed to King's in this report have been drawn from that contribution.

However, some of the underlying causes of dissatisfaction are difficult for providers to address directly. For example, affordability pressures often driven by wider economic factors that lie beyond providers' immediate control. While providers can take action to improve the shared ownership experience, the report also identifies three policy measures that could help increase satisfaction among shared owners:

1. **Increase the London shared ownership income cap to £120,000 for households with children.** The Government's decision to increase the London shared ownership income cap from £90,000 to £110,000 is a positive step. However, analysis suggests that many with children remain unable to access the open market despite earning above the current £110,000 threshold. Raising the cap for these households purchasing both new and existing shared ownership homes would improve access to homeownership and support family retention within London. It would also expand demand for shared ownership homes, improving resale prospects for existing shared owners.
2. **Explore Government subsidy options for capital costs and major works.** Shared owners currently must cover the capital costs of works which affect their building, but it may be feasible for providers, through Government subsidy, to contribute while they retain an equity share.

   This policy would address two themes: transparency and affordability. Shared owners could feel assured that the provider has a shared interest in scrutinising repair costs. It would also help reduce expenses for shared owners. Further investigation is required on how this could apply to flats with third party estate management
3. **Expand gradual staircasing** by allowing shared owners to purchase reduced-fee equity in increments of 2%, 3%, and 4%, alongside the existing 1% gradual staircasing option. It would improve affordability by reducing costs and allowing residents to build more equity and increase flexibility and control over the path to ownership.

This report is intended to prompt discussion and debate through accurately framing the problem and suggesting policy measures to tackle aspects of shared ownership where satisfaction could be improved.

Whilst shared ownership is not a complete solution to the housing crisis, it remains a vital part of London's landscape. We believe the focus should be on how to evolve the product to ensure it remains as effective as possible for the people it is designed to help. By improving affordability, increasing flexibility and strengthening resident confidence, shared ownership can continue to offer a valuable route into homeownership for households who would otherwise be left behind, while helping deliver the affordable homes London urgently needs.

3. London's homeownership crisis

For many, owning a home in London has become an increasingly distant prospect. Homeownership rates in England have been steadily declining for decades[2]. Nowhere is this more evident than London, where the homeownership rate stands at 51%, below the rest of England[3]. The decline has been particularly stark for those aged 25 to 34. Between 1996 and 2016, the homeownership rate for this group fell from 55% to 34% across England, and from 45% to 20% in London[4]. This highlights a longstanding and worsening challenge for first time buyers seeking to get on the housing ladder, especially in the capital.

Policymakers and researchers attribute this trend to house prices rising much faster than incomes. This gap has been particularly pronounced in London **(Figure 1)**, making homeownership increasingly unattainable in these areas for those without significant savings for a deposit. Most first-time buyers in 2025 were in the top two income quintiles[5], further reinforcing the picture of a housing market in which access to homeownership increasingly depends on either a high income or family wealth.

Affordability challenges in London accelerated in the aftermath of the 2008 financial crisis. Between 2007 and 2017, average property prices increased by approximately 71% while median gross annual income decreased by 18%[6] [7](when adjusted for inflation[8]). At the same time, mortgage lenders tightened borrowing requirements for prospective buyers, increasing the minimum deposit share required. This, coupled with increasing property prices, meant significantly higher sums were needed for deposits.

As real income also stagnated, homeownership became increasingly concentrated among higher income households and those able to rely on financial support from family members. Many aspiring buyers were instead pushed into the private rented market, which has long been less affordable in London than in other parts of the country[9]. Although affordability has seen a slight improvement following the COVID-19 pandemic, the picture remains challenging. In 2025, average house prices were 10.6 times median annual earnings[10], significantly above the national figure and close to historic highs for housing unaffordability **(Figure 1).**



34%

Homeownership fell from 55% to 34% across England between 1996-2016.

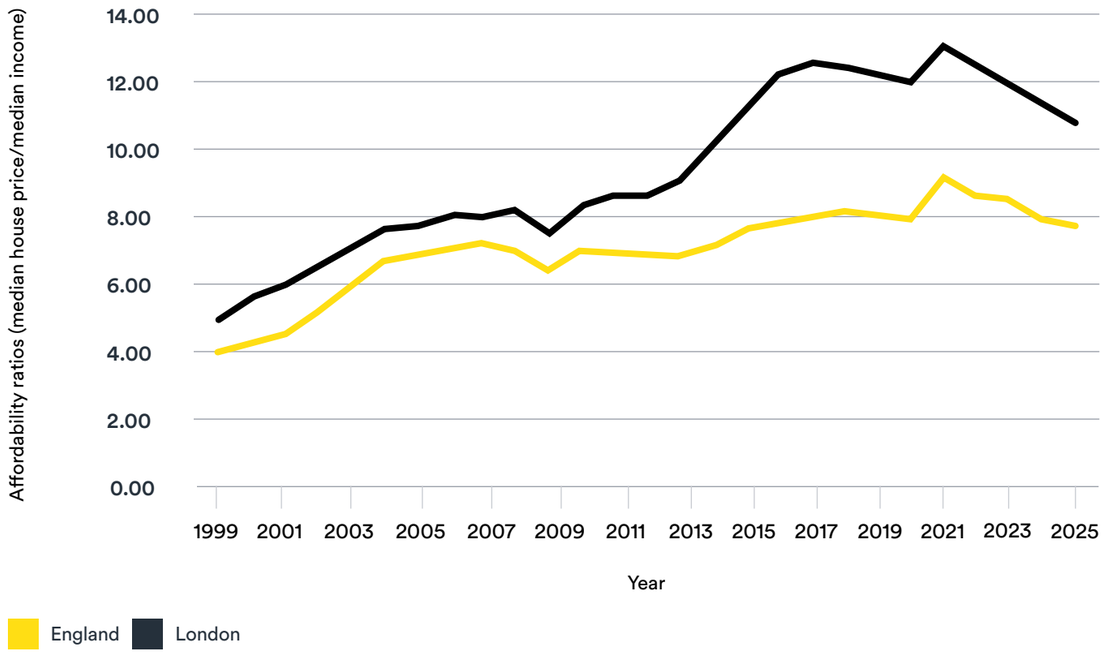


71%

Property prices increased by this amount from 2007-2017.

Figure 1

House price affordability in England and London **(ONS, 2026)**



2. Chapter 1: Profile of households and dwellings - GOV.UK
3. Chapter 2: Housing costs and affordability - GOV.UK
4. BN224.pdf
5. Chapter 2: Housing costs and affordability - GOV.UK
6. UK House Price Index: reports 2025 - GOV.UK
7. No dataset selected - Nomis - Official Census and Labour Market Statistics
8. Inflation calculator | Bank of England
9. Private rent and house prices, UK - Office for National Statistics
10. House price to workplace-based earnings ratio - Office for National Statistics

Research comparing two cohorts - those who reached adulthood in 1992 and those who did so in 2011 - shows that the UK house price boom has doubled the intergenerational persistence of housing wealth. Rising house prices reduce the likelihood that young people can buy a home on their own, while simultaneously increasing the wealth of parents who are homeowners. This enables wealthier parents to support their children in purchasing homes in more expensive areas like London and the South East and in pursuing higher earning career paths in these areas. Parental gifts and transfers also play an important role in helping their children overcome the barriers posed by deposit requirements and other upfront costs. As a result, living in London has become increasingly concentrated among those from more affluent backgrounds[11].

Because homeownership is a key pathway to building wealth and long-term financial security, declining access to the housing market risks entrenching existing inequalities. This concern is reinforced by evidence demonstrating that children of homeowners are significantly more likely to become homeowners themselves - a relationship that has strengthened over time[12]. Homeownership may not be the right choice for everyone, but it offers stability and we believe it should be accessible to more than just a privileged minority. London's diversity is one of its greatest strengths, with communities that reflect a mix of housing tenures and households from all backgrounds. Delivering high-quality, genuinely affordable homes is central to L&Q's social mission, and where homeownership is the right option for a household, it should be within reach of more than just the wealthiest.

Delivering high-quality, genuinely affordable homes is central to L&Q's social mission, and where homeownership is the right option for a household, it should be within reach of more than just the wealthiest.



11. **How do house prices affect social mobility?** | Institute for Fiscal Studies
12. **Blanden, Eyles, and Machin 2023**

4. Shared Ownership and its purpose

What is shared ownership?

Shared ownership is a low-cost homeownership scheme for first-time buyers in England who are unable to afford a home outright. It allows buyers to purchase an initial share of between 10% to 75% of a property using a mortgage or savings, while paying rent on the remaining share to a housing provider.

In its efforts to expand access to home ownership, successive governments have introduced more than a dozen homeownership products over the decades. Shared ownership is the only scheme to have endured across multiple political cycles since it was formally introduced in the 1980 Housing Act. Over the past forty years, it has been adapted by different Governments to reflect changing economic conditions and policy priorities, while retaining its core purpose of helping households access homeownership[13] [14] .

Why shared ownership has a future

Over the past decade, shared ownership has grown significantly in popularity. Since the Affordable Homes Programme 2016–21, annual starts of shared ownership homes have risen rapidly, averaging around 18,000 to 23,000 per year. Depending on the region, this accounts for roughly 6–11% of total new housing supply, with the largest contribution observed in London and the South East[15]. Shared ownership sales consistently increased between 2020 and 2024, and a total of 18,603 sales occurred in 2024[16] . This is likely because shared ownership offers benefits for groups including developers and first-time buyers and provides additional revenue stream to support the delivery of new affordable homes.

How it benefits housing developers

In London, planning policy requires developers to allocate a minimum proportion of homes - historically around 35 per cent, more recently 20 per cent - to affordable tenures. Shared ownership typically accounts for at least half of the affordable tenure requirement[17]. As a tenure that generates upfront capital, shared ownership plays an important role in supporting scheme viability and helping ensure new developments can proceed.

How it helps supply other types of affordable housing

Our Future Shape, L&Q's five-year corporate strategy for 2026-31 sets out a clear purpose: to provide social homes and landlord services that everyone can be proud of. Shared ownership is an important contributor to that mission because it helps fund the delivery of social rent homes at a time when land, construction and financing costs remain high.



Unlike shared ownership, rented housing products generate income gradually through rents, meaning it can take many years to recover the upfront development costs, even where grant funding is available. Because housing associations typically borrow to fund construction, this delay increases financial risk and places pressure on their balance sheets, particularly in a period of high borrowing costs and growing demands to reinvest in existing homes. In response to grant funding cuts in the 2010s, many organisations shifted towards a cross subsidy model, using profits from market sales to support affordable provision. In addition to government-mandated affordable housing requirements, our charitable mission means that at L&Q, social and intermediate housing products typically make up around half of the homes in any new development.

Shared ownership helps contribute to affordable housing provision without sacrificing viability. Among all affordable housing products, shared ownership is the only option that delivers a lump sum capital injection at scheme completion.

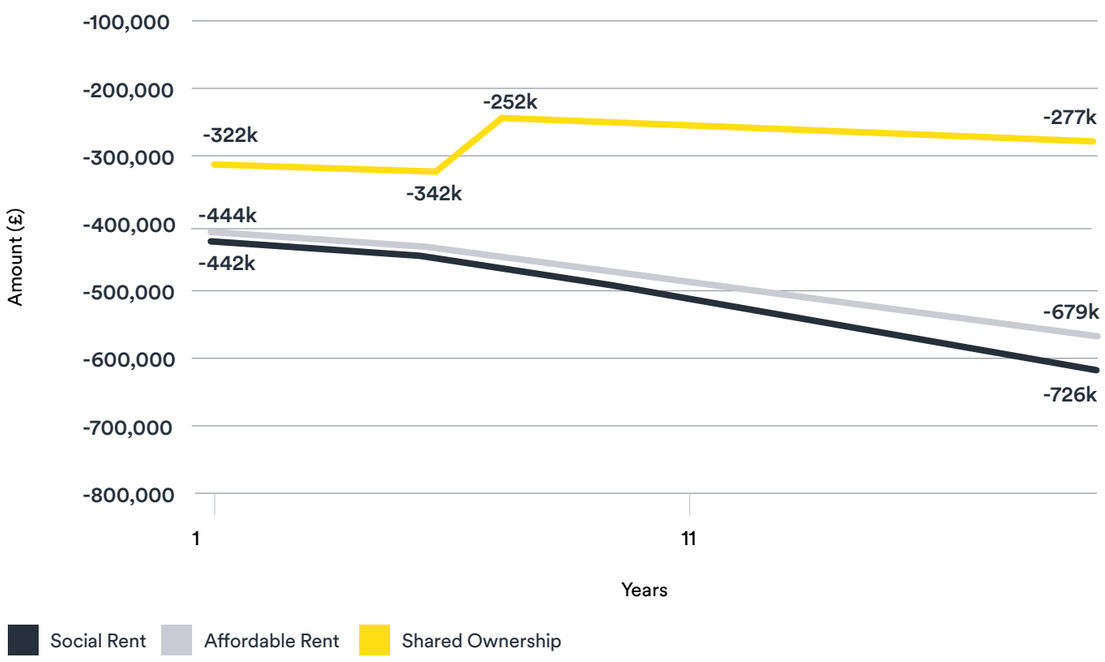
Over time, Shared Ownership can also generate additional value through staircasing, as purchasers buy further equity shares. While smaller in scale than outright sales, this anticipated long term return supports borrowing on commercial terms and helps housing associations address funding gaps, enabling continued investment in social and affordable rent homes.

Over the past forty years, it (shared ownership) has been adapted by different Governments to reflect changing economic conditions and policy priorities, while retaining its core purpose of helping households access homeownership.

13. Shared Ownership Report FINAL 3.pdf
14. Investigation into shared ownership
15. so_market_ucl.pdf
16. Social housing sales (including Right to Buy and transfers) - GOV.UK
17. https://www.pepper.money/wp-content/uploads/Pepper-Money-Shared-Ownership-whitepaper.pdf

Figure 2

Cumulative net cash flow of a typical two bedroom flat by tenure, including Shared Ownership sales proceeds. Expressed in real terms, including financing costs and excluding grant funding or RP subsidy.



For the purposes of this analysis, cash flows are presented from the point of occupation for a representative residential property in London. The analysis is based on assumptions derived from the published accounts of a major G15 housing association, sector benchmark data, and other publicly available sources. To ensure comparability across tenures, build costs and acquisition costs are assumed to be identical for Social Rent (SR), Affordable Rent (AR), and Shared Ownership (SO) properties. The opening cash-flow position reflects the acquisition costs net of Shared Ownership sales receipts arising from the initial tranche sale, which is assumed to represent 25% of the property's total equity value. Consistent with the policy objective of Shared Ownership to support progression towards full homeownership, the model further assumes that all shared owners staircase by an additional 28% equity share in year 8. Cash flows are expressed in real terms and therefore exclude the effects of general price inflation. Financing costs are included and are based on an assumed real cost of borrowing based on government gilt yields as at Sept 2026, reflecting the funding requirements associated with each tenure. As stated, government grant funding is excluded from the analysis.

How it benefits Londoners

For many middle-income earners priced out of the London property market and lacking access to the 'bank of mum and dad', shared ownership is a realistic pathway towards homeownership. While homeownership may not work for everyone, it provides stable long-term accommodation and the opportunity for asset accumulation, benefits which many Londoners aspire towards.

Shared Ownership mortgages are typically around half the size of conventional mortgages. Buyers generally earn about half as much as open market purchasers and, in most cases, would be unable to afford a comparable property on the open market in the same area.

As a result, shared ownership serves as a key route into homeownership for households who would otherwise be excluded from the mortgage market[18].



18. so_market_ucl.pdf

Shared Ownership: Delivering what Help to Buy (HtB) could not

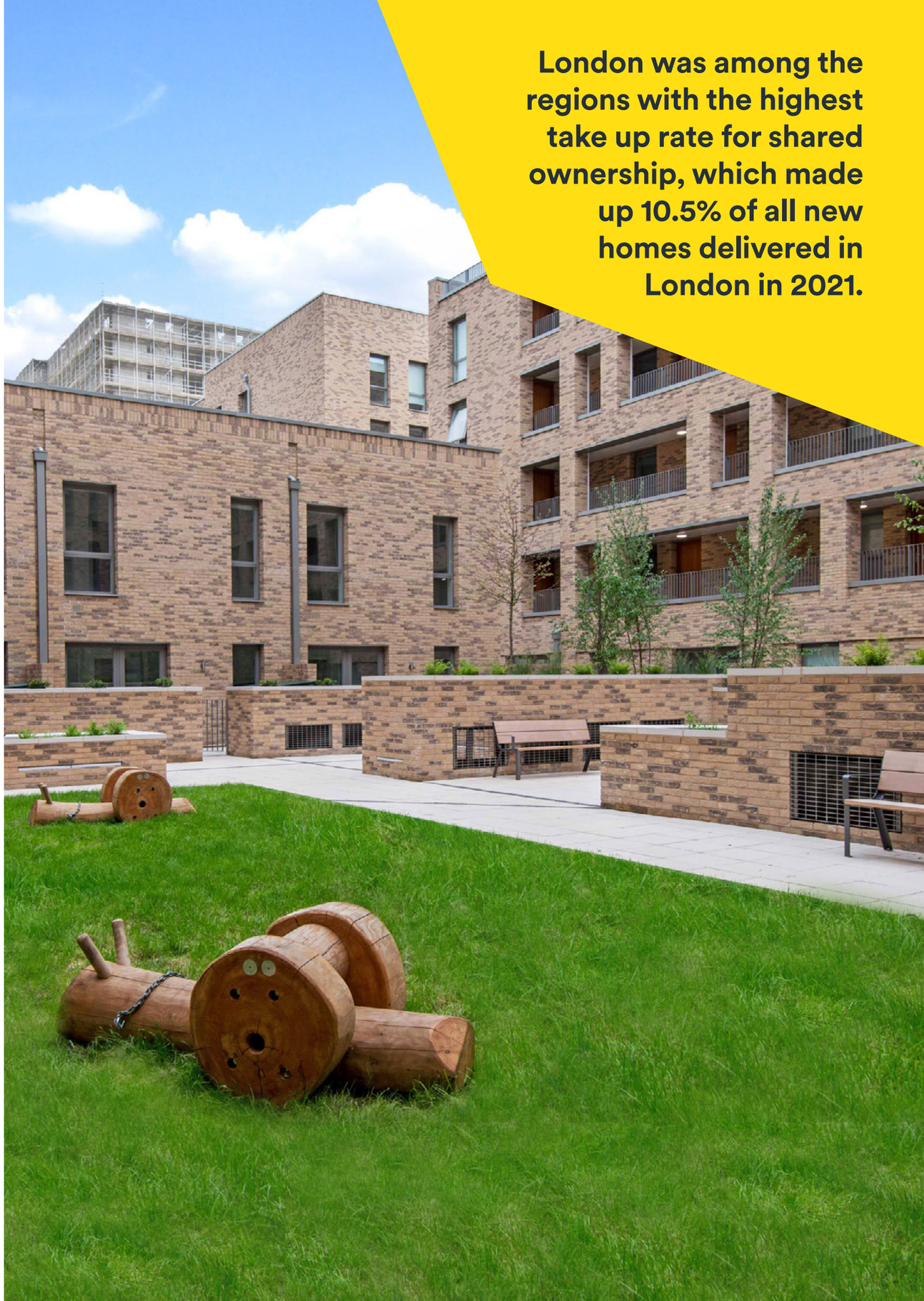
Under HtB, government provided equity loans up to 40% of purchase value in London (20% outside London), with buyers required to contribute just 5% as a deposit. HtB was launched in 2013 with an original end date of 2021[19], but was extended until 2023 with different requirements that restricted purchases to first time buyers and introduced regional price caps[20].

Under the first iteration, HtB was unpopular in London compared to the rest of England with London transactions only accounting for 3.6% of London property transactions, lowest of all regions[21 22]. This may have been due to the £600,000 price cap[23]: this meant more restriction on which homes Londoners had access to under HtB. A larger purchase price also meant higher interest payments on the HtB equity loan. After five years, a typical London buyer will pay nearly £3,000 in interest annually, compared with under £1,000 outside London[24]. HtB popularity in London increased under the second scheme, with HtB now accounting for 6.7% of total transactions in London[25 26].

In contrast to the first HtB iteration, London was among the regions with the highest take up rate for shared ownership, which made up 10.5% of all new homes delivered in London in 2021[27]. Shared ownership was arguably more accessible than HtB for Londoners as it required a lower deposit. For example, for a home worth £400,000 in London, under HtB the buyer would need to provide a deposit of £20,000, whereas for shared ownership this would be £5,000 - £10,000. Completions of shared ownership developments increased between 2017/18 and 2018/19, suggesting that more of these homes were being started in the early years of HtB when accounting for the typical lag between construction starts and final completions[28]. HtB take-up was not concentrated on those who most needed it as in 2018, around three-fifths of buyers did not need the support of the scheme to buy a property[29]. Research from Shelter also revealed HtB (both the equity loan and other mortgage guarantee component) added around £8,250 to the average house price from its conception in 2013 to 2015[30]. HtB fell short of expectations: it worsened the affordability crisis despite increasing access for mainly those who were able to access the housing market without the product in its first iteration[31].

The recently announced “Your First Home” equity loan scheme reflects a continued recognition that many first-time buyers need support to access homeownership. However, the experiences of HtB suggest that the design of any successor scheme will be critical. To be effective in high-cost markets such as London, support will need to be carefully targeted towards households facing genuine affordability barriers.

19. Help to Buy: Equity loan 2013 to 2021 housebuilder participation guidance, accessible version - GOV.UK
20. Help to Buy: equity loan scheme: data to 31 March 2023 - GOV.UK.
21. Help_to_ButTables_Regional.ods
22. Residential property sales for administrative geographies (existing dwellings) - Office for National Statistics
23. Help to Buy: equity loan scheme: data to 31 March 2023 - GOV.UK.
24. Help to buy equity loan scheme progress review
25. Help_to_Buy_Tables_Regional.ods
26. Residential property sales for administrative geographies (existing dwellings) - Office for National Statistics
27. so_market_ucl.pdf.
28. so_market_ucl.pdf.
29. Help to Buy: Equity loan scheme - Committee of Public Accounts - House of Commons
30. How much help is help to buy
31. Help to Buy: Equity loan scheme - Committee of Public Accounts - House of Commons



London was among the regions with the highest take up rate for shared ownership, which made up 10.5% of all new homes delivered in London in 2021.

5. Issues with Shared Ownership today

While there is clear evidence of the positive potential of shared ownership for first time buyers, the tenure has its challenges. The latest Tenant Satisfaction Measures shows that across the G15, the largest housing associations in London, 33% of shared ownership respondents were satisfied with the service provided by their landlord. In contrast, satisfaction stood at 63% among residents in G15 low-cost rental accommodation. For shared ownership to remain a viable option, providers such as L&Q proactively adapt and evolve to meet the expectations of today's buyers.

Service charges

In 2024, the Levelling Up, Housing and Communities Committee (LUHC) published a report emphasising the increasing burden of service charges[32]. Between 2019 and 2024, service charges across England and Wales rose by an estimated average of 40% though figures varied significantly by building type and scheme[33]. This overall increase was driven in larger part by higher utility and energy costs, building insurance rises, and higher repair and maintenance costs, among others.

Service charges are typically higher for high-rise flats than low-rise schemes or houses, primarily due to enhanced building safety requirements, as well as the complex nature of managing high-density buildings. This makes the problem particularly acute in London, which has the highest percentage of high-rise buildings in the UK[34].

Shared ownership targets households on middle incomes. The average household income required to purchase a home in London is approximately £101,400. By contrast, shared ownership is attainable for households earning from the mid-£40,000s for more affordable one-bedroom properties, rising to around £70,000 for larger homes or those in higher-value areas[35]. This means that shared owners generally have a smaller financial buffer than the average leaseholder to absorb any increases in household costs. Service charge increases are therefore likely to have an especially significant impact on shared owners.

Substantial service charge increases, such as those seen in recent years, are unsustainable. As charitable housing providers, we do not want residents to face financial strain as a result of housing costs. However, many driving factors remain outside provider control. Evidence shows an average buildings insurance premium increase of 374% per block between 2019/20 to 2020/21[36]. In 10% of the blocks studied, costs soared by over 1,000%, with the highest spike reaching 1,840%[37]. Additionally, driven largely by the global energy market shocks following the invasion of Ukraine, utility costs increased by an estimated 73% between 2019 to 2024[38]. Finally, repairs and maintenance costs rose sharply by 31% between 2020 to 2023[39] due to rises in material costs[40] caused by global supply chain disruptions and increased transport and fuel prices[41].

31%

Repairs and maintenance costs across England rose between 2020 to 2023.

32. Shared Ownership
33. web120424-the-property-institute-service-charge-index-april-2024.pdf
34. High Rise Construction UK Market - Barbour ABI
35. https://www.peabodynewhomes.co.uk/blog/how-much-do-you-need-to-earn-to-buy-in-london-in-2026/
36. Microsoft Word - Building Insurance Premium Increases - ARMA Insure
37. Microsoft Word - Building Insurance Premium Increases - ARMA Insure
38. web120424-the-property-institute-service-charge-index-april-2024.pdf
39. CPI INDEX 04.3.1 : Materials for maintenance and repair 2015=100 - Office for National Statistics
40. Inside Housing - Insight - Inside Housing Repairs Tracker 2026
41. UK construction firms face some of sharpest cost rises in nearly 30 years | Construction industry | The Guardian

Complexity

Shared ownership can be complex. Leases often involve multiple sub-lessees and stakeholders, each holding different rights and responsibilities. The shared ownership provider holding the sublease with the shared owner may be different from the freeholder or the developer who owns the building. In such cases, neither the shared owner nor the provider has direct management control over the communal areas of the building. This complexity makes it harder to clearly communicate the reasoning behind service charge adjustments and creates an unclear route for seeking redress[42]. Dispute resolution processes can be complicated, leaving some shared owners unaware of the full support and avenues available to them[43].

Because shared ownership homes are sold on a leasehold basis, they share many systemic challenges common to leasehold flats, including structural complexity, and increasing service charges without matching service improvements.

Many of the complexity issues within the leasehold system are intended to be addressed through the proposed Commonhold and Leasehold Reform Bill (currently subject to consultation and yet to pass through parliament). This legislation aims to end leasehold tenure for new developments and support a transition to commonhold as the default form of ownership. Under commonhold, the traditional divide between freeholders and leaseholders would be removed, transferring responsibility for shared areas transferred to a Commonhold Association (CA) —a collective body of property owners and shared owners within the building. Under current proposals, shared owners will hold near-equal voting rights as leaseholders in the CA, giving them a vote on annual budgets, building insurance, and maintenance decisions. Although these changes promise greater transparency and local control over common areas, the adoption of commonhold is unlikely to reduce overall service charge costs on their own.

Staircasing

Housing associations are reliant on staircasing receipts to provide the financial capacity they need to invest in their homes and deliver much-needed new housing for social rent[44]. However, between 2019 to 2024, the percentage of shared owners staircasing to 100% dropped to 2.4% per year, down from an average of 3% during the previous five years[45].

As a result, housing associations have billions of pounds in equity tied up in shared-ownership stock – capital that, if released, could potentially offer a vital boost to social housing sector finances[46]. Affordability issues and additional staircasing fees do not just impact shared owners; they affect a provider's financial sustainability.

Between 2019-2024 the percentage of shared owners staircasing to 100% dropped to 2.4% per year, down from an average of 3%.

42. Investigation into shared ownership
43. Investigation into shared ownership
44. download
45. https://mktgdocs.cbre.com/2299/d9a9933b-5907-4643-8fd8-1eeb54996c65-1583007117/The_future_of_Shared_Ownership.pdf
46. download

6. Methodology

This report attempts to answer the following questions:

- What are the key factors that contribute to low satisfaction for shared ownership?
- What can be done, by shared ownership providers and others, to address these factors?

L&Q commissioned King's College London to undertake systems-thinking research into shared ownership to help shape resilient policy proposals. Systems thinking recognises that numerous variables interact over time to produce an outcome through positive and negative feedback loops[47], or "causal loop diagrams". We used systems thinking to help answer our first question concerning variables leading to shared ownership dissatisfaction and used these identified variables as a starting point to identify solutions.

Between April and August 2025, the research team at King's College London conducted a series of systems thinking workshops. These involved both L&Q staff and residents in identifying key interconnected challenges within the shared ownership model and co-developing systemic strategies. Rather than presenting a definitive solution, the resulting strategies are a first step towards encouraging L&Q to think systemically about issues that are too often addressed in isolation. This report also outlines the need and challenges of fundamentally rethinking a model deeply embedded in L&Q operations and offers recommendations for moving in that direction.

This research is being undertaken to ensure that shared ownership fulfils its purpose as a viable route onto the housing ladder for middle income Londoners. Central to this is embedding residents' perspectives throughout the research process. This is why we decided it was necessary to not just conduct problem identification workshops with staff but also residents.

Following the workshops, the L&Q research team worked to gather information internally on how each strategy would work in practice and estimate costs of each policy. Some of the proposed strategies were already being implemented, at least partially, through existing improvement projects. All of these are discussed in the "outcomes" chapter of this research.

A full 2025 report detailing the systems thinking approach, research results, and conclusions and recommendations, written by Dr Anna Pagani, Senior Lecturer in Engineering, King's College London can be found here.

This research is being undertaken to ensure that shared ownership fulfils its purpose as a viable route onto the housing ladder for middle income Londoners.

47. **A Definition of Systems Thinking: A Systems Approach 2015**



7. Results

L&Q colleague workshop

Insights from our colleague workshop highlighted that dissatisfaction with shared ownership is not just an isolated challenge – it can trigger a ripple effect that reinforces a self-perpetuating negative cycle across the tenure. On one hand, introducing more amenities in shared ownership developments to match private sector standards and competitor offerings can give L&Q a competitive edge, which could boost sales and, in turn, viability. On the other hand, while these added features are attractive to some buyers, they inevitably drive up ongoing service charges. Over time, this exacerbates affordability pressures and hinders residents' ability to staircase in the long run.

The workshop also identified a key driver of shared owner dissatisfaction – a fundamental expectation gap between how buyers perceive shared ownership at the point of sale, and how the product works in practice. This mismatch often centres on service charges, with many residents unprepared for potential increases that can occur over time. Because shared ownership is designed for households priced out of the open market, buyers enter the tenure expecting long-term affordability, only to find their budgets stretched as costs rise. This expectation gap could stem partly from insufficient communication by providers, an issue L&Q is actively addressing through the policy interventions outlined later in this report.

Workshop discussions also reinforced that many factors contribute to rising service costs, and therefore higher service charges. Many of these are outside providers' control, including legislative changes, and wider macro-economic inflation. Finally, colleagues noted that weaker demand for shared ownership properties can make it harder for existing shared owners to sell their homes and move on when they're ready.

The workshop also identified a key driver of shared owner dissatisfaction – a fundamental expectation gap between how buyers perceive shared ownership at the point of sale, and how the product works in practice.

L&Q resident workshop

A consistent theme through the resident workshop was a feeling of being "trapped" by shared ownership. Many buyers enter the tenure with the aim to staircase to 100% and own their home outright. However, broader affordability pressures combined with upfront transaction costs ranging from £800 to £2,568 on top of the additional share bought[48], make stepping up to full ownership unfeasible for many[49]. Adding to this sense of limitation, reselling a shared ownership property can be difficult. Unless the shared owner staircases to 100% beforehand, the pool of potential buyers is limited by the £90,000 annual income ceiling. Shared owners often find the product inflexible when their life circumstances or financial needs change, leaving their equity "stuck" rather than enabling their next move.

This challenge is further compounded for residents living in homes affected by building safety or cladding issues. Both staircasing and selling require formal RICS valuation well as mortgage valuations for lenders. Across the UK housing market, non-compliant cladding systems have affected property valuations[50], with mortgage lenders routinely refusing to finance homes in buildings with unresolved external wall systems[51]. This is also common for leaseholders who live in flats with serious cladding issues.

Finally, residents voiced concerns over a lack of control and transparency. Some reported feeling disconnected from decisions made regarding shared areas in the building, especially where managing agents are involved. Rather than affordability itself, a primary concern among shared owners was whether they are receiving value for money for the service charges they pay, as they see cost increases without a corresponding uplift in the levels of service provided.

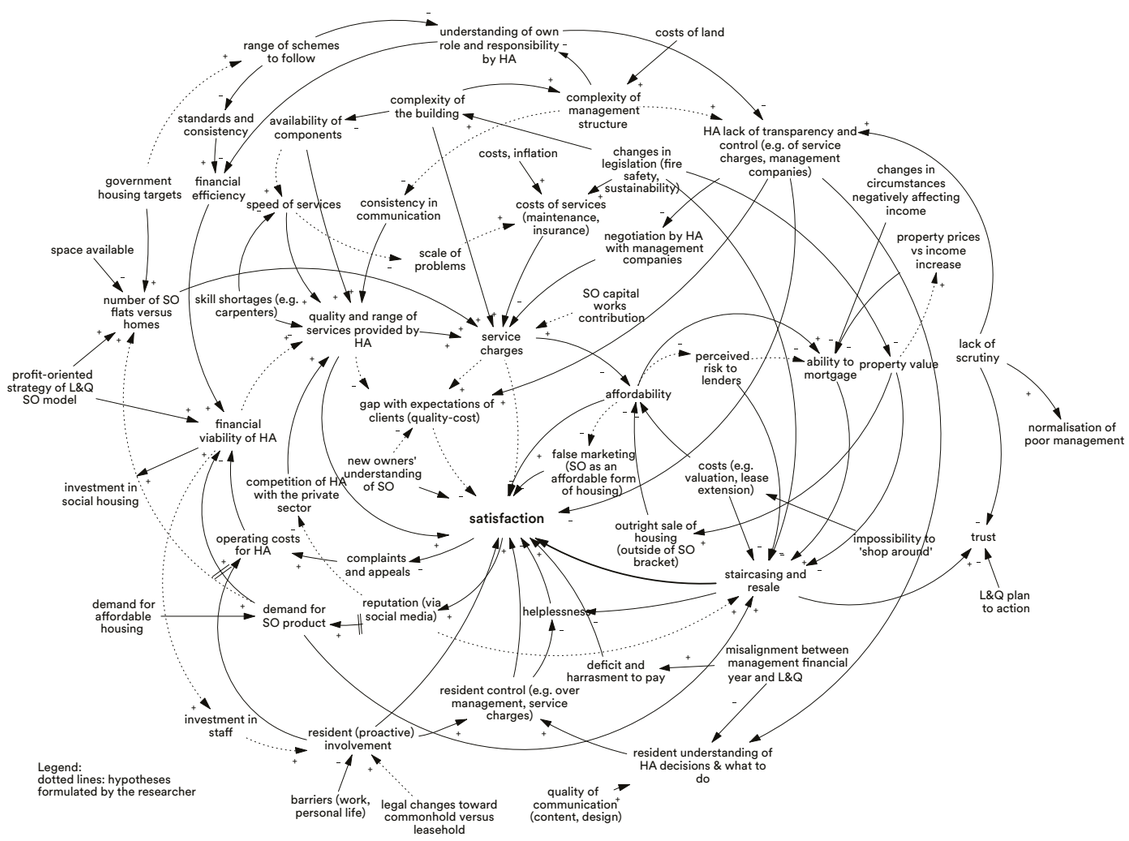


48. **Investigation into shared ownership**
49. This is also highlighted here **Shared Ownership** paragraph 46
50. **Will cladding devalue my house? - Abel Roofing**

Integrated Causal Loop Diagrams (CLD)

Figure 4

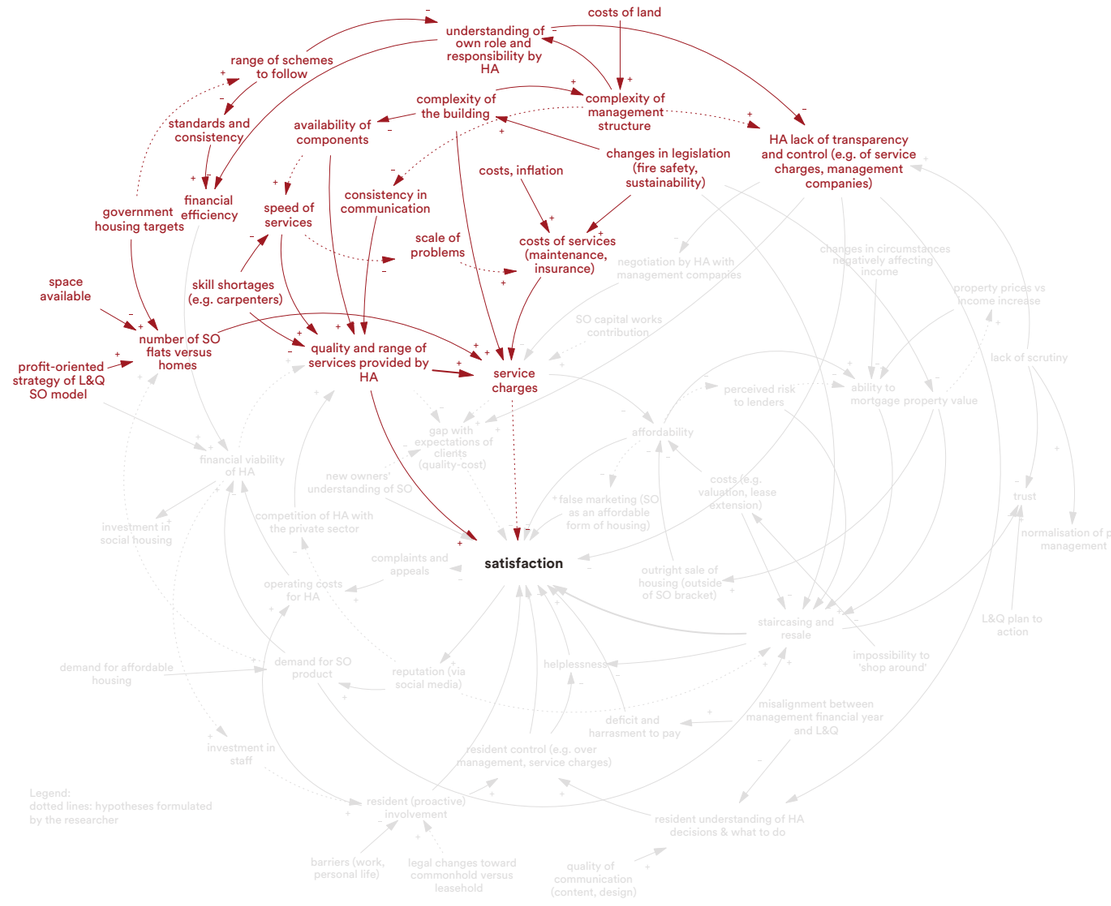
Integrated CLD on the issues impacting resident satisfaction with shared ownership. A positive **(+)** polarity indicates that an increase (decrease) in the cause variable will result, ceteris paribus, in an increase (decrease) in the effect variable. A negative **(-)** polarity will lead to the opposite effect. Hash marks = delay. Source: A. Pagani, King's College London, 2025.



Complex building standards, property design, and legal arrangements

Figure 5

Section of integrated CLD focused on building and management complexity. Source: A. Pagani, King's College London, 2025.



Limited land availability in London, combined with Government pushes to boost housing supply, has encouraged developers to build large, dense developments. Over the last decade, a combination of factors has increased the complexity of the building and managing these large high-rise schemes.

- Enhanced building safety regulations following the Grenfell tragedy and the Building Safety Act 2022
- Stricter energy efficiency requirements under the 2021 London Plan, which sets out some of the most ambitious climate targets in the UK[52]
- Intensified competition with private sale, driving the inclusion of more sophisticated architectural designs and amenities.

This increased complexity has inevitably increased running costs. Modern buildings feature more intricate components that require specialised servicing, frequent inspection, and costly eventual replacement. The increasing complexity of buildings across London, in both private and shared ownership housing, has also led to parts shortages and longer repair timelines, as maintenance requires specialist skills and more time for completion.

Simultaneously, the price of materials for maintenance and repair spiked in 2020[53], while construction workforce shortages remain especially acute in London[54]. When demand for skilled workers outpaces supply, this leads to an upward pressure on labour costs[55]. This dynamic impacts the quality-of-service residents receive, as labour shortages lead to job delays and cancellations[56]. The nature of S106 agreements introduces additional operational complexity. Almost half of all shared ownership units from 2014-2025 were delivered through S106, where private developers are typically responsible for the design and construction of flats[57]. Housing associations typically purchase these units from private developers only upon completion, leaving little room to input on building specifications during the design phase[58]. As a result, providers often acquire shared ownership properties in buildings that were not designed with long-term service charge minimisation in mind.

Each S106 scheme carries distinct legal arrangements and rights between the superior landlord (usually the private developer) and head lessee (the housing association). These varying contracts make managing estate maintenance services and service charges across different schemes highly complex. As a head lessee, housing associations often lack the legal authority to appoint, manage and scrutinise the performance of third-party managing agents. This power is retained by the superior landlord, creating significant barriers to improving communal repairs standards.

These legal complexities and the multitude of stakeholders involved often make communication between shared owners and providers difficult. While carrying out a case study interview with L&Q shared owner Mei[59], she highlighted issues with knowing who to flag certain complaints with.

"The building is super energy-efficient, and it doesn't need the heating to be on very often. However, it's connected to a heat network which means paying two separate standing charges to different companies. That means, even with economising on energy use, you're left with a huge daily standing charge to pay every month."

She also was unaware of the scheme's policy which restricts parking, saying, "The Chain is a car-free development, meaning residents cannot park within the borough. In my view, allocating parking only to private homeowners can feel discriminatory to those unable to buy privately."

Moreover, most new build schemes are mixed tenure developments where service charge allocation is inherently complicated. Firstly, social rent residents and shared owners operate under different cost recovery arrangements for service charges. Secondly, service charges are split based on usage and location – for instance, a ground-floor shared owner is typically not liable for lift maintenance costs incurred by residents on upper floors. These layered contractual and operational arrangements significantly increase administrative complexity and the potential for error when service charges are calculated and apportioned to individual shared owners.

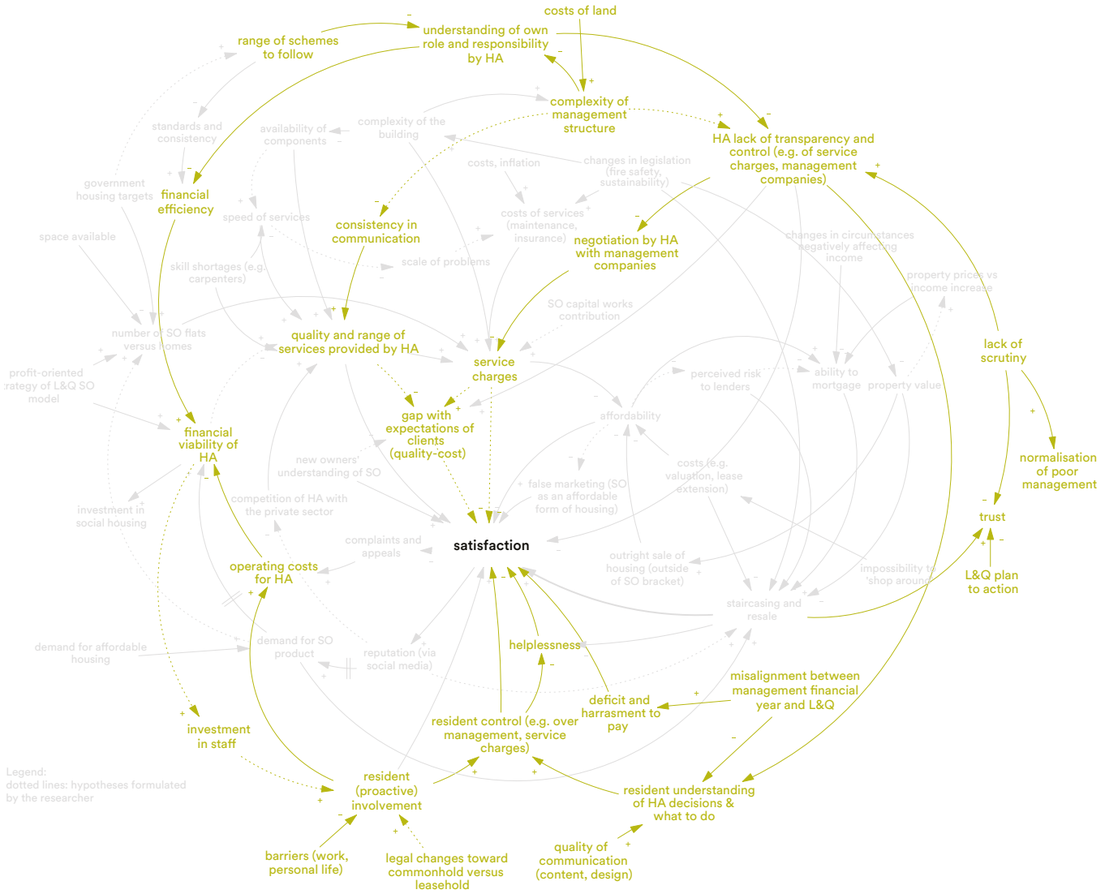


51. **the_london_plan_2021.pdf**
52. **CPI INDEX 04.3.1 : Materials for maintenance and repair 2015=100 - Office for National Statistics**
53. **Skills to Build**
54. **OU report calculates the cost of the skills shortage to UK business | The Open University Business School**
55. **FMBState-of-Trade-Survey-July-to-December-2025.pdf**
56. **Live tables on affordable housing supply - GOV.UK**
57. **S106-Guidance-Building-together-Building-better.pdf**

Transparency and control

Figure 6

Section of integrated CLD focused on transparency and control. Source: A. Pagani, King's College London, 2025.



The complex building arrangements outlined above make providing clear, frequent, and user-friendly service charge billing difficult. L&Q dedicates significant resource to service charge accuracy, employing a growing team of around forty specialised colleagues. The team is tasked with compiling and scrutinising several build-level costs and accurately reflecting these itemised expenses to individual shared owners. However, a lack of standardisation across schemes, each with different amenities, specs and cost structures, makes this work increasingly intricate.

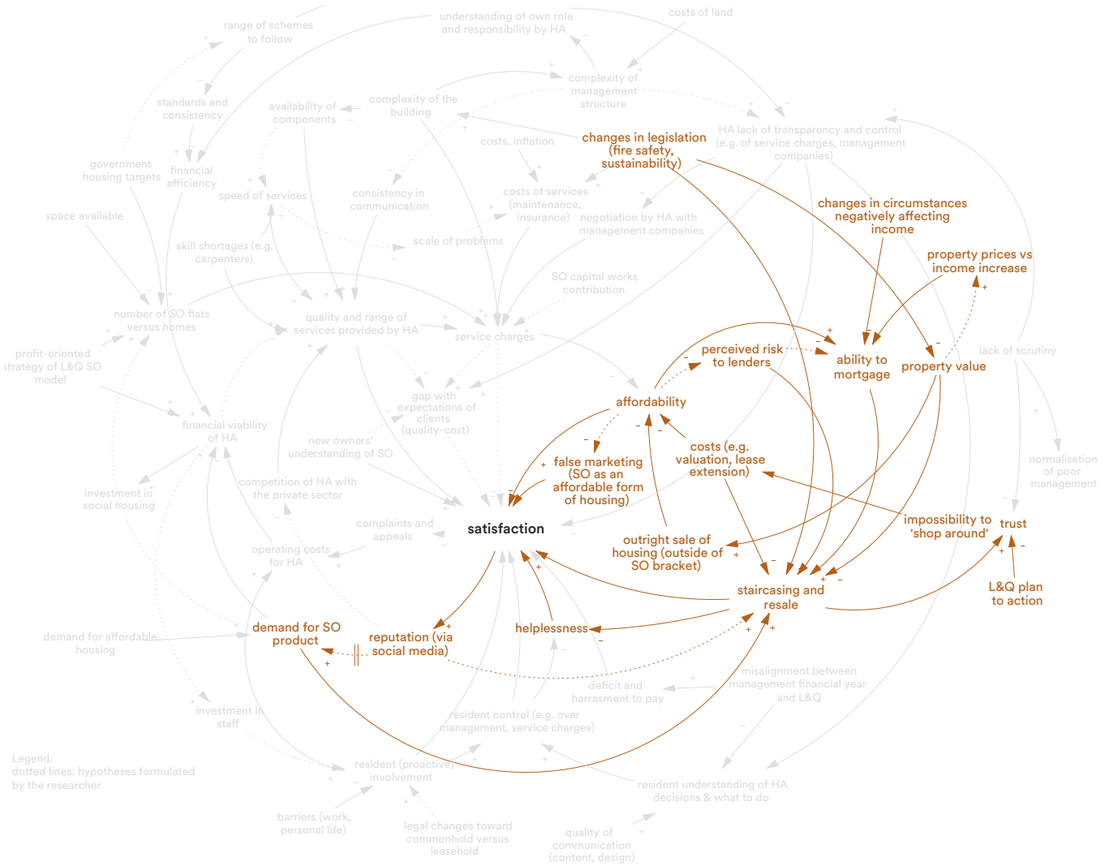
These challenges are especially pronounced on S106 schemes, where shared ownership providers lack the legal power to appoint or directly manage third-party agents. In these cases, obtaining detailed cost breakdowns is significantly harder. For shared owners, receiving complex bills, often accompanied by delayed or incomplete answers on S106 schemes is understandably frustrating. It can easily be perceived as a lack of transparency and scrutiny on the part of housing providers, damaging trust and leaving residents feeling a loss of control.



Resale and affordability

Figure 7

Section of integrated CLD focused on resale and affordability. Source: A. Pagani, King's College London, 2025.



Shared Ownership is marketed as an accessible route to lower-cost homeownership. However, in addition to rising service charges, increasing rents and mortgage rates have placed severe pressure on affordability for shared owners, especially for households whose incomes haven't seen much growth. As Shared Ownership rents are linked to inflation, the sharp surge in both CPI and RPI between 2021-2024[60] resulted in rents increasing faster than historical averages.

Although RPI reached a 40-year high of 14.2% October 2022[61], housing associations acted to protect residents by voluntarily capping rent increases at 7% for the 2023/24 financial year[62]. Mortgage rates have also increased steeply since 2022, after the Liz Truss' mini-budget and cost of living crisis with the Bank of England raising borrowing costs to combat high inflation. While high interest rates affect all leaseholders, shared owners typically have significantly lower household income compared to outright sale purchasers which makes these cumulative cost increases harder to absorb.

Exit affordability, in addition to entry affordability, is an important part of a well-functioning homeownership product. The ability to sell and move is essential for residential mobility, enabling the product to adapt to residents' changing life circumstances and support market mobility[63]. Shared ownership resale can be difficult for some particularly high value properties as the pool of buyers in London is limited by the £110,000 (previously £90,000) annual income ceiling, unless the shared owner staircases to 100%. Staircasing rates have also fallen as a greater percentage of shared owners are struggling to cope with their overall housing costs, and staircasing costs have risen.

58. Full case study in section "Proposed policy 1: Raise the maximum income threshold"
59. **Inflation in the UK: Economic indicators - House of Commons Library**
60. **RPI All Items: Percentage change over 12 months: Jan 1987=100 - Office for National Statistics**
61. **National Housing Federation - What does the Autumn Statement mean for housing associations?**

Policy interventions

L&Q participants, including colleagues who attended the workshop and our research team identified several possible interventions across the system each with varying levels of impact and feasibility, but all with the goal to increase shared owner satisfaction.

L&Q is already working to improve our shared ownership offer and increase buyer satisfaction. A key objective is to reduce the complexity around building specifications and legal arrangements by strengthening our oversight of third-party managing agents. We also intend to be more selective in our choice of development partners to ensure we are involved earlier in the design process. This will enable greater influence over the services and amenities and minimise long-term operating costs. Additionally, we are focused on improving the experience for both prospective buyers' and existing shared owners' through more accurate and predictable service charges, supported by clear, consistent communication.

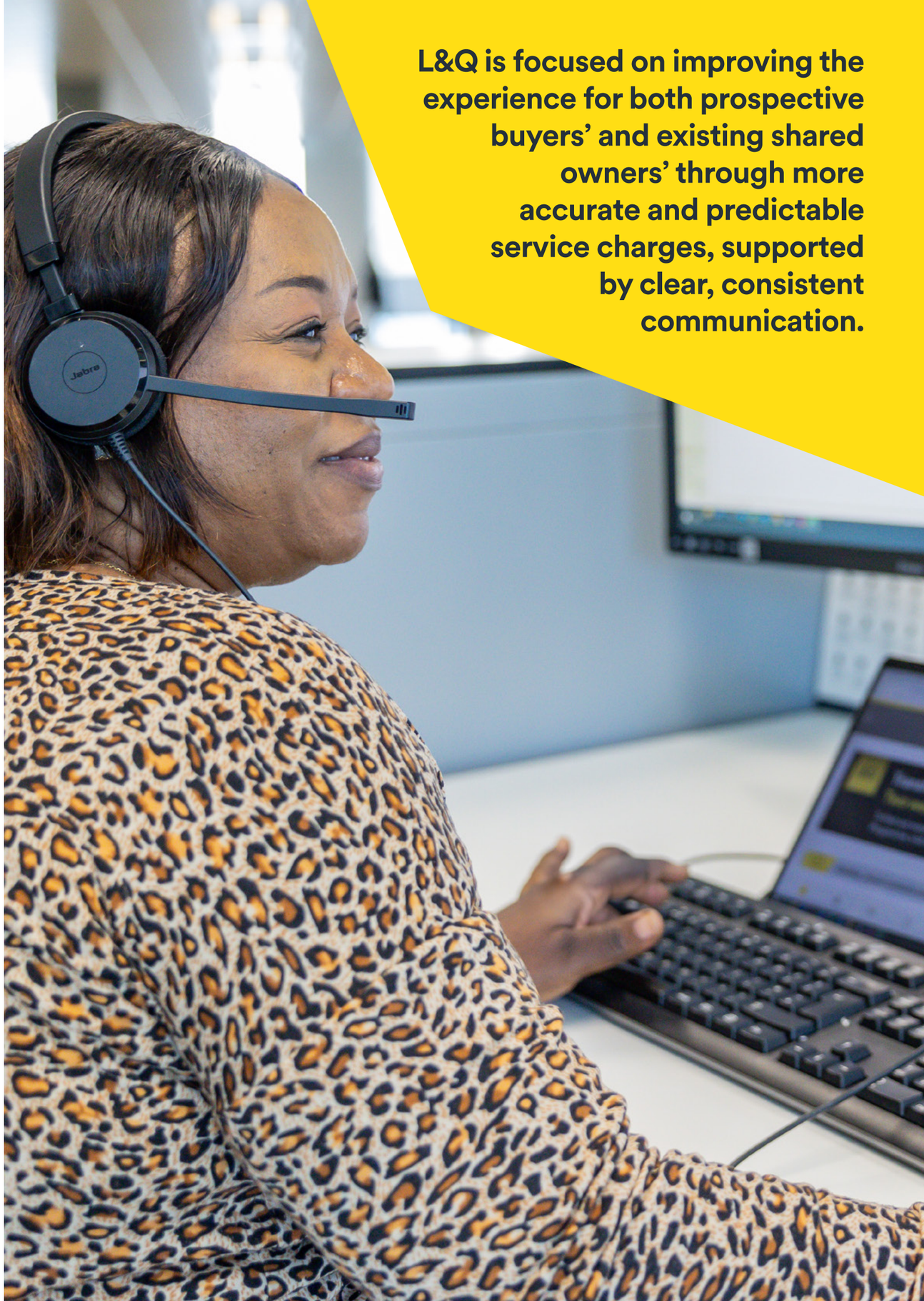
To support this, we are:

- Expanding our service charge team to strengthen scrutiny over cost items and third-party information requests
- Investing in core IT infrastructure to improve billing accuracy
- Providing clear guidance on homeownership responsibilities through the L&Q Buyer's Guide (currently being updated in response to resident feedback).

We've also developed a dedicated online shared ownership hub and published key policies directly on the L&Q website, giving residents instant access to essential information and reducing query wait times.

More detail on these interventions is detailed in Annex A.

While these initiatives mark promising progress, broader policy reform is still required to address systemic affordability challenges, barriers to staircasing, and disproportionate repairs costs. This research sets out policy and operational changes that could make shared ownership a fairer and more accessible product, whilst ensuring it remains financially viable for housing associations to deliver. The following section considers a range of policy options to support these objectives.



8. Policy proposals

Proposed policy 1: Raise the maximum income threshold.

Background

In response to rapidly rising house prices in the 2010s, which made open-market purchases unattainable for even middle-upper income earners, the annual income ceiling for shared ownership in London was raised in 2016 from £66,000 (£80,000 for large properties) to £90,000. The Government's decision in 2026 to raise the London shared ownership income cap to £110,000, its first increase in ten years, is a positive development. However, our analysis shows that the cap should be raised further to support those with children to remain in London.

Rationale

Mortgage lenders typically mandate that total housing costs (including mortgage payments, rent on the unsold equity share and service charges) must not exceed around 40% of household income. In higher-value areas of London where property values and service charges are higher, the current £110,000 income cap means some households, especially larger ones who require more bedrooms, fall outside the affordability threshold.

This constrains demand, and has has two implications: first, it can make it harder for shared owners to re-sell their home, especially if they have increased their equity share significantly. Secondly, it negatively affects the financial viability of schemes.

1. **Resale challenges:** The feeling of being "trapped" by shared ownership was consistently highlighted during the resident workshop. When a shared owner wants to sell it can be difficult for them to find a buyer. Affordability restrictions are cited as a contributing factor, as at times those wishing to sell their shared ownership flat are unable to find buyers who meet the criteria[64]. This is especially true when shared owners have increased their equity share, as the deposit required for someone to buy the property is larger than when the home was purchased. It is possible that shared owners may choose to refrain from staircasing as a result, to avoid difficulties in reselling.
2. **Viability and initial sale challenges:** Restricted demand can also create an issue when shared ownership homes are being sold for the first time, as those who fit mortgage lender criteria for higher cost London homes also do not fit the income cap. On shared ownership schemes, the only element providers can directly adjust to meet this requirement is the rent charged on the unsold equity share. Providers have managed this constraint to date by reducing rents below the standard Shared Ownership assumption of 2.75% to maintain affordability and support demand. This approach directly weakens scheme viability and reduces long-term financial stability. Re-thinking the income cap is important not only to stimulate demand but also to support staircasing. Staircasing rates have fallen in recent years with negative implications for both HAs and shared owners. Higher income households are typically better insulated from fluctuations in rents and service charge costs, making them more likely to staircase to 100% full ownership over time.

62. **Entry and Exit Affordability of Shared Equity Homeownership: An International Comparison by William Cheung, Siu Kei Wong :: SSRN**

Who can access the open market in London?

To test true affordability, we calculated saving accumulation timelines based on post-tax income, living expenses, and housing costs.



Households without children

A dual earning household making just over £90,000[65] could save for a 10% deposit for a two-bedroom flat in inner London in four-and-a-half years, or three years in outer London. Adjusting for a 10k salary increase in the main household earner, this timeline goes down to just under three years in inner London, and two years in outer London[66]. A single person with the same household incomes would take slightly longer as their post-tax take home income is lower[67]. For those putting every penny towards a deposit, earning just above even £90,000 can still make access to the open market a realistic option.



Households with dependent children

When factoring in the cost of raising one child, excluding childcare costs, affordability changes dramatically. It would take the same couple making £105,022 over 5 years to save for an inner London deposit, as household savings capacity is severely curtailed, effectively shutting them out of the open market[68]. For a single parent earning £105,000, the required deposit timeline expands to 8 years to purchase a home outright[69].

63. **Shared ownership downsides: meet the Londoners struggling to sell homes | The Standard**
64. Primary earner is a teacher in inner London renting a two-bedroom flat in London
65. Annex B, table 1
66. Annex B, table 2
67. Annex B, table 1

Table 2

Years to pay for deposit in for two-bed flat in inner London, foregoing childcare costs. Calculations are in annex B, tables 1 and 2

Single or dual?	Single					
Have x1 child?	No			Yes		
Household salary (£)	**90,619**	**105,022**	**119,522**	**90,619**	**105,022**	**119,522**
Years to pay for deposit and fees	5.1	3.2	2.5	131.1	8.3	4.8
Single or dual?	Couple					
Have x1 child?	No			Yes		
Household salary (£)	**90,619**	**105,022**	**119,522**	**90,619**	**105,022**	**119,522**
Years to pay for deposit and fees	4.4	2.8	2.1	12.1	5.1	3.2

We believe that the evidence does not support raising the income cap threshold in London for those without dependent children, as open-market ownership remains relatively achievable within reasonable timeframes. However, because caring for a child severely impacts savings capacity, we recommend raising the income cap to **£120,000 specifically** for households with childcaring responsibilities.

Is shared ownership affordable once you've entered?

A key consideration for this proposal is ensuring long-term affordability post purchase. As shared ownership rents rise annually (typically indexed to CPI + 1%), and service charges may also increase due to inflationary pressures, housing costs tend to grow over time for households that do not staircase.

Most lenders offer fixed-rate mortgage products for a maximum five years, meaning mortgage payments generally remain stable during that period. As a result, for households that do not staircase, a growing proportion of their housing costs is driven by increasing rent and service charge, leading to higher overall costs over time. Ensuring long-term affordability for the households this policy proposal is designed to support, those with childcare responsibilities making 105-120k at the time of purchase, is therefore a key consideration. Our focus is not simply on helping households access shared ownership initially, but on ensuring they can continue to afford it sustainably in the future.

L&Q financial modelling indicates that for target households earning between £105,000 and £120,000 with dependent children, shared ownership provides a stable, long-term housing option. This was estimated using a similar methodology as the calculations in Table 2. The same assumptions of monthly take home, additional expenses, and cost of children were made, in addition to real examples of shared ownership monthly housing costs from the L&Q homeownership team. These were used to estimate the disposable income of different households. Table 3 suggests that saving and maintaining disposable income is possible over a ten-year period in shared ownership in the selected scenarios.



Table 3

Monthly disposable income over time for households with children, PRS. V. SO
Calculations are in annex B, tables 3-6.

Single or dual?	Single											
Household salary at year 1 (£)	£90,619				£105,022				£119,522			
No. of rooms	2 bed		3 bed		2 bed		3 bed		2 bed		3 bed	
Year from move-in	Year 1	Year 10	Year 1	Year 10	Year 1	Year 10	Year 1	Year 10	Year 1	Year 10	Year 1	Year 10
SO – Disposable income	£592	£452	£380	£226	£1,109	£855	£896	£630	£1,507	£1,471	£1,294	£1,246
PRS – Disposable income	£35	-£528	-£114	-£870	£552	-£125	£403	-£467	£950	£491	£801	£419
Single or dual?	Dual											
Household salary at year 1 (£)	£90,619				£105,022				£119,522			
Number of rooms	2 bed		3 bed		2 bed		3 bed		2 bed		3 bed	
Year from move-in	Year 1	Year 10	Year 1	Year 10	Year 1	Year 10	Year 1	Year 10	Year 1	Year 10	Year 1	Year 10
SO – Disposable income	£938	£733	£756	£508	£1,465	£1,509	£1,252	£1,284	£2,003	£2,287	£1,791	£2,062
PRS – Disposable income	£386	-£240	£237	-£582	£913	£537	£764	£195	£1,451	£1,314	£1,302	£972

Outgoings and disposable income projections over a ten-year horizon show that both single parent and dual income households can comfortably maintain disposable income when living in shared ownership, providing a secure alternative to private renting or open-market exclusion.

It is also important to note that these calculations assume no staircasing takes place over the ten-year period. In practice, this is unlikely. Across all scenarios, households are projected to make savings under shared ownership compared with alternative tenures, meaning many would be expected to staircase to some extent. Any additional staircasing would reduce rent and further improve the long-term affordability of shared ownership. A key concern with using an income cap to determine eligibility is that it can remain unchanged for many years, as has happened with the current threshold. When this occurs, demand may be constrained and households that would benefit from shared ownership can be excluded from accessing it. We therefore recommend that the government undertake an annual review, using assumptions similar to those set out in our analysis, to assess which households are unable to access the open market and adjust eligibility criteria accordingly.

Case study - Pamela



In August 2019, Pamela moved into a shared ownership home in Brixton and put down roots which gave her the stability she needed to start a family. To Pamela, owning in London had always felt like an unattainable dream, reserved for those who had the luxury of being able to put down a large deposit. She has always been a Londoner at heart, born in Luton and living in North London in her early childhood, spending some time in Bournemouth and then finally moving back and living in Clapham and Brixton since her early 20s.

“I just assumed that I would never be able to buy anything in London … that I would have to be renting for the rest of my life, or I would be able to buy at a very late age or maybe outside of London.”

When she first heard of shared ownership, she had been living in a Brixton Hill shared flat with five bedrooms. It was adequate, but the lack of communal space meant that, even while being surrounded by people, there was also a feeling of loneliness. She had always wanted somewhere of her own, particularly a place with a garden which the flat didn’t have. When she stumbled across an advertisement on Facebook saying that, with shared ownership, she would have enough for a deposit in her part of London, it was a no brainer.

For Pamela, buying a shared ownership wasn’t just about having a home. It was a newfound sense of security that allowed her to start looking at life in a different way.

“I always had this rule in my life that I would never have a child unless I had financial stability and a home … I found a partner through one of my neighbours, funny enough … And it feels like it was a bit by accident, the whole journey. But I literally would never have had Maddie, my daughter, unless I was in that position with all of that stability around me.”

Although Pamela wishes she’d known more about the possibility of service charge increases before becoming a shared owner, her home also fits her and her family’s needs. She was able to get on the housing ladder in her own neighbourhood, 5 minutes away from the tube, and within 15 minutes of three different parks. She’s also around the corner from an ‘outstanding’ rated nursery.

> **“I think London is one of the best places in the world. I don’t think it compares and I’ve been to lots of different places. I want my daughter to grow up with all that, with all that exposure to all the cultures and the vibrance of what we have in London. It’s just lovely. And she will.”**

Pamela - Metropolitan Thames Valley Housing (MTVH) shared owner

Case study - Mei



Mei, 50, works in IT and previously owned a home in Scotland. After moving from Scotland to London for work, her priority was finding a vibrant, fun place to live with good schools and to secure a quality home for her son, 15, where he could grow up and thrive.

“Buying on the open market was out of the question. Working in the public sector, my salary is decent, but nowhere near enough to secure a mortgage on a London property. The cheapest places were around £380,000, and that’s impossible on a single income”, said Mei.

Mei’s concerns echo those of many others in similar positions. For many parents in London, raising a deposit is only one challenge. Even with a substantial deposit, mortgage costs can remain unaffordable, preventing many from putting their plans into action. When she discovered shared ownership, it offered a route back onto the housing ladder. Mei bought a 25% share in a two-bedroom home at the Chain in Walthamstow.

“I live and work in London in a beautiful apartment that I simply wouldn’t be able afford otherwise.”

One of the apartment’s biggest selling points was its practical layout, including two bathrooms, which provide ample space for a family of two. Its location also provides a convenient commute to Mei’s workplace in central London.

Like many shared owners, Mei has concerns about the long-term affordability of staircasing.

“I have to be realistic about the future. Staircasing sounds good in theory, but as a single parent there’s no way I’m ever going to earn enough to increase my share to even 50%. Owning my current home outright is unrealistic.”

Even so, Mei says shared ownership has provided independence, security and somewhere her and her son are proud to call home.

“Shared ownership has made a huge difference to how I’ve been able to live with my family. My son loves it here.”

She has no regrets about buying through the scheme and would recommend it to others, provided they fully understand the tenure before committing

“You have to know what you’re signing up for. There were some aspects I didn’t fully understand when I bought my home, such as how things work with the managing agent and the changing nature of service charges. But there’s no getting away from the fact that I wouldn’t be able to live here if it weren’t for shared ownership.”

For Mei, the sense of security that comes with home ownership is one of the scheme’s greatest benefits.

“If I were privately renting, I wouldn’t be living in such a beautiful home in this location. I also wouldn’t have the same peace of mind. With shared ownership, I don’t have the constant worry of being asked to move at short notice because a landlord has decided to sell up.”

Reflecting on her experience, she believes it is important that policymakers and housing providers continue to learn from shared owners themselves.

> **“That’s why this research is important. Shared ownership is a wonderful scheme, but there are valuable lessons to learn, particularly from people who have experienced it first-hand.”**

Mei - L&Q shared owner

Ensuring London is accessible for all

As social landlords, our mission is to make London accessible for all. We do not want London to become a city where homeownership is reserved exclusively for those with support from the bank of mum and dad, or exceptionally high incomes. Homeownership should be a realistic, achievable goal for single parents, key workers and growing families.

However, the evidence demonstrates that raising a child in London has become extremely expensive. The high cost of housing in London, combined with the baseline expenses of parenting, mean that parents without financial support from family struggle to save for a deposit. Without financial buffers, many parents are often one unfortunate event, such as job loss or sudden caring responsibilities, away from severe financial strain or debt.

The high cost of living, particularly housing expenses, is having a significant impact on family planning decisions in London. Research from the G15 revealed that almost one in five (19%) Londoners surveyed delayed having children because of housing costs, while others reported having fewer children than planned or deciding against having them at all[70].

This affordability challenge often leaves families no other choice but to leave London. Migration data shows that the only age group with significant net inward migration to London in 2020 was the 20-24 age group, who are likely moving to begin their careers, more marginally those ages 25-29. Conversely, the largest net decrease occurred among adults aged 30 to 39, with 35,645 more people leaving the capital than arriving. This number gradually decreases as the age groups become older[71]. While more research is needed to understand why this group is relocating, one possible explanation is that this stage of life often coincides with households starting a family.

The knock-on effect on schools and local communities

This outward migration of young families is directly impacting London's social infrastructure, particularly primary education. Over the past five years, nine out of ten local authorities in England with the largest declines in primary school pupil numbers were in London[78]. London Councils' analysis predicts an overall drop of 3.6% in demand for reception places across the capital's 33 boroughs and 2.9% drop for year 7 places[73]. This is even steeper in inner London, where boroughs are expected to see demand for reception places fall by an average of 7%[74].

This drop in demand has triggered vicious cycle of school closures. In 2024/5, Southwark, Hackney, and Islington each lost between four to six primary schools in 2024/5[75]. As schools lose approximately £4,000 in funding for every primary pupil that leaves[76], shrinking budgets make it harder to maintain educational standards. Beyond education, schools act as vital community hubs - hosting food banks, providing extended childcare for working parents, and serving as places where neighbours can come together.

Home ownership on the open market is largely out of reach for households with children in London, particularly those on a single income.

68. Annex B, table 2
69. **A city that works for everyone**
70. **Migration in and out of London | London's Poverty Profile | Trust for London**
71. **So Long, London – An analysis of London primary pupil movements - Education Policy Institute**
72. **Managing school places and admissions in London - report | London Councils**
73. **1734 3g** LC Managing school places and admissions in London (1).pdf
74. **So Long, London – An analysis of London primary pupil movements - Education Policy Institute**

However, many of the potential benefits of raising the cap stem from increased demand. It is therefore important to consider whether these groups would be interested in shared ownership in the first place; otherwise, raising the cap may not effectively stimulate demand. Although further research is required, data from MHCLG reveals that shared ownership demand is growing for households with children: between 2019-20 and 2024-25, the proportion of shared ownership purchasers with children almost doubled, growing from 11% to 20%[77].



Data from Share to Buy shows that enquiries for shared ownership properties from two-or-more-person households increased by 3.1% from 2020 to 2025, while enquiries from households of three or more people increased by 5.1%[78].

- **Recommendation: Raise the household income threshold to £120k for households with children in London. It offers a practical solution that will help families remain in London, while ensuring the product is being targeted to those who need it most.**

£4,000

Lost in funding for every primary pupil that leaves

20%

The proporation of shared ownership purchasers with children almost doubled between 2019-20 and 2024-25.

75. **London schools close as housing costs push families further out - BBC News**
76. **Table 696: Household composition of shared ownership buyers (private registered providers only) for England; Live tables on social housing sales - GOV.UK**

Proposed policy 2: Government subsidy for sinking funds

Rationale

Currently, shared owners pay 100% of the service charges and communal repairs costs, regardless of their share of equity. The resident workshop and findings from the Levelling Up, Housing and Communities (LUHCC) shared ownership report[79] highlight a persistent perception among shared owners that landlords have limited incentive to minimise service charges, as these costs are ultimately passed on in full to residents. It is also sometimes construed as unfair that shared owners pay all the running costs for homes that they only own a portion of.

To address this, one regularly cited idea is for shared owners to only pay service charge in proportion to their equity stake. This would address the question of fairness for residents, while also, arguably, incentivising landlords to exercise greater scrutiny over service charges. Doing so would provide residents with assurance that the interests of their provider are aligned with their own, where both wish to secure value-for-money services and minimise any increases. It would also mean developing landlords would have a greater incentive to design and construct durable, less complex buildings which require less maintenance and repair over the long term.

Policy details and costings

Option 1: Proportional service charges

One approach to this policy is for shared owners to pay service charges in proportion to their equity share, with a provider covering the remainder based on its retained equity.

This option was mentioned in the LUHCC inquiry report as a potential affordability measure[80].

Using data from the average 2026/27 service charge per unit across five new-build L&Q developments in London[81], and assuming an average first tranche sale of 30%[82], we estimate that providers would be responsible for approximately £2,486[83]per unit per year. It is difficult to accurately extrapolate this estimate to an entire development portfolio, as each scheme differs in components and building characteristics, resulting in varying service charge levels. However, taking the previously estimated figure, for a housing association that sells 429 shared ownership homes in one year[84], this would result in a total cost of approximately £1.067 million[85] per annum. Over time, this number would change based on sales and staircasing rates. For any provider delivering shared ownership at scale, it would increase rapidly year-on-year.

In addition to the substantial costs, this policy would require significant operational capacity and technological changes to implement. It would require service charge teams to monitor individual staircasing levels and account for them within technological systems, which currently lack this functionality. Requiring these software overhauls while many providers are already performing major IT transformations for Awaab's Law, cladding remediation, the Future Homes Standard, and STAIRs present an operational risk.

Another possible drawback is that it may act as a disincentive to staircase, or make staircasing less affordable, as buying more equity would mean higher service charge costs. As mentioned, low staircasing rates are already a significant concern for shared ownership as a product.

Any change that would discourage staircasing should be applied only when there is a clear and unavoidable need. It should be noted, however, that while service charge costs would increase with staircasing, this would ultimately only bring them into line with the costs of owning a leasehold flat outright anyway.

While conceptually attractive, for these reasons, we do not believe this is a workable or practical policy solution.

Option 2: Sinking fund contributions

Exploring the subsidisation of specific types of repairs, irrespective of equity share, may offer a simpler and more effective implementation route. Under this approach, providers cover a fixed fraction of major works costs in communal areas. This approach reflects the fact that L&Q retains part of the long-term asset interest in the building, whereas residents who may not remain in the property long-term.

Under current rules, the majority of major works or planned maintenance activities come from a sinking fund, a long-term savings account that homeowners contribute to every month through service charges. If a sinking fund is not set up, full payment for any required works is paid for by a homeowner on completion of the works. When you move, you cannot take sinking fund contributions with you.

Typical large-scale components financed via a sinking fund include:

- Lifts and mechanical infrastructure
- Roofs replacements and structural repairs
- Door entry and security systems
- Fire safety and protection systems
- Windows.

Sinking fund contributions are calculated by dividing the estimated replacement cost of each component by its expected lifespan.



77. Conversations with **Home - Share to Buy**
78. **Shared Ownership**
79. **Shared Ownership**
80. Further details in Annex C, table 1
81. Average first tranche sale in London taken from L&Q sales data from 2020/1 to 2025/6
82. 70% of average per unit annual service charge, £3,552
83. Amount L&Q sold in 2025

For affordability purposes, L&Q currently reduces monthly shared owner and leaseholder sinking fund collections by 60%. When major works occur, 40% of the cost is paid through the sinking fund and the remaining 60% is billed to residents. This approach improves affordability but could lead to larger and unexpected bills when components are actually replaced if there is a deficit in the sinking fund. A potential mechanism for landlords to contribute to major works costs is by making contributions to the sinking fund. Under this approach, residents would still continue paying a monthly fixed percentage amount into the sinking fund, which could be determined by the provider. However, when major works are carried out, the provider would cover the remaining balance instead of issuing bills to shared owners. For example, if the provider continued to reduce monthly sinking fund payments by 40%, instead of the remaining 60% being charged when the works are carried out, that amount would be covered by the provider.

Using the data from the same buildings as option 1, where residents contribute to 40% of the sinking fund, on average one shared owner would pay £914 into the sinking fund per year. A provider would pay £47,667 per year for the entire building contributing to 60% of the sinking fund, or £1,322 per unit per year. Across a yearly portfolio of 439 shared ownership homes this would cost approximately £580,520. For modelling of these costs, please refer to Annex C.

Given the considerable costs, funding options must be realistically evaluated across revenue streams. Finance of shared ownership homes come from three different places: rent, government funding, and housing association subsidy. Increasing shared owners' rents to fund this policy would defeat the purpose as this would negate the improved affordability that the policy aims to provide; this would simply be moving the cost burden on shared owners from one bill to another.

Housing association subsidy is unlikely to be feasible in the current climate. The sector is investing heavily in existing homes and services, to meet new regulatory requirements, future-proof homes and improve the resident experience. We are also dealing with the impacts of fall out of wider economic instability and inflationary pressures, which have landed particularly hard for us: the costs of construction, materials and labour have all risen exponentially over the past five years. In 2025, for example, the sector spent £10 billion on repairs and maintenance, a 13% increase on the previous year[86], while interest cover across the sector is falling. This leaves government subsidy as the only realistic option.

Considering service charges are one of the biggest drivers of shared ownership dissatisfaction, Government-backed sinking fund contributions are worth exploring.

One way this could be financed is through Government allowing developing providers to use the Recycled Capital Grant Fund (RGCF), which enables the extension of the RCGF capacity by housing associations. The Homes England rules on RGCF uses currently restrict housing associations from using this money for "major repairs"[87], and the Greater London Authority rules, although they do not explicitly restrict this, do not allow it to be used on "day-to-day and cyclical maintenance"[88]. As of 2026, L&Q has access to more than £83 million in RGCF and has only been able to use a fraction of this money, with more than £68 million remaining, and with the changes in the GLA SAHP 26-36 now restricting its use on supply of new housing, it is becoming near impossible for providers to use the RCGF for any purpose. We believe this policy option could be an efficient way to use RGCF.

Limitations

A wider issue is that this policy, or any shared ownership provider contribution to service charges, risks being interpreted as a marketing discount designed to increase sales competitiveness, rather than as an initiative to improve affordability and accountability. If landlords were to advertise the subsidy, they would need to be clear and careful not to make misleading statements regarding the product[89] [90]. Best practice, leasehold reform, in addition to the Shared Ownership Code, also prohibits initial service charge discounts[91]. Although the proposed policy would not be time-limited, this provision would need to be carefully considered, and engagement with the Shared Ownership Code would be required. Landlords would also have to consider how the policy would impact mortgage provision as lenders assess risk through long-term affordability assessments.

Like the proportional service charge proposal, implementing this policy would add an extra administrative layer to service charge calculations, requiring dedicated staff resource. Even with lower direct costs of compared to option 1, the overall cost estimate represents a significant financial commitment.

Stakeholder feedback identified significant operational challenges in implementing the proposed policy across all tenures and management arrangements. Concerns were raised about challenges on managing agent and Section 106 sites, where service charge and sinking fund arrangements differ materially from those under direct management. While the approach may be operationally feasible, although costly, on directly managed sites, its implementation on externally managed sites presents risks that would need to be addressed.

Recommendation: We recommend that Government reform the capital grant regime to allow Recycled Capital Grant Funding to cover landlord sinking fund contributions.

Considering service charges are one of the biggest drivers of shared ownership dissatisfaction, Government-backed sinking fund contributions are worth exploring. Although the policy would have operational and financial implications, and review is required on implementation with third party managed flats, this proposal would improve resident trust and financial peace of mind. We recommend further policy exploration into how public subsidy can be integrated to fund this mechanism.

84. £2,486*429

85. **Capital Funding Guide - 7. Capital Grant Recovery - Registered Provider - Guidance - GOV.UK**
86. **Capital Funding Guide - 7. Capital Grant Recovery - Registered Provider - Guidance - GOV.UK**
87. **london.gov.uk/sites/default/files/2025-05/Section 6 - Grant recovery %28updated 1 May 25%29.pdf**
88. Property: **Shared Ownership - ASA | CAP**
89. Property: **Leasehold - ASA | CAP**

Proposed policy 3: Expand 1% staircasing to 2-4%

Rationale

Enabling shared owners to staircase in smaller increments was first recommended in 2019. Policymakers hoped to make buying smaller chunks a quick, simple process that incentivises shared owners to save and eventually buy further equity in their home[92].

"New model shared ownership", financed under the Social and Affordable Homes Programme (SAHP) 2021-6, expanded options for staircasing[93]in two ways[94]:

- **Gradual staircasing:** Purchasers can buy a 1% share each year for the first 15 years. They cannot buy shares of 2%, 3% or 4%. The price of a 1% share is based on the original price of the home, increased or decreased in line with the local authority **House Price Index (HPI)**[95]. The purchaser does not need to pay valuation or administration fees for this[96]
- **Standard staircasing:** Purchasers can buy shares of 5% or more at any time. The cost of their new share depends on how much their home is worth when they want to buy the share. This requires a RICS evaluation, an administration fee, and legal fees.

This somewhat lowers the cost barriers to staircasing, as the prior version of shared ownership only allows staircasing at 10% increments, with no increases with fee exemptions. The new model allows shared owners to staircase in 1% increments without a valuation or any administration fees, saving them costs that would normally range from £430 to £760[97]. In the unlikely case that the home declines in value, shared owners could staircase through the usual method requiring a RICS valuation. This policy also increases transparency and control, as shared owners have more routes for climbing the housing ladder.

Government has not expanded gradual staircasing for purchasing shares of 2%, 3%, or 4%. This could make staircasing more flexible, as where a shared owner does not have quite enough to purchase a 5% share including fees, they would have the option to purchase a 2-4% share at a much more affordable price. Although 1% no-fee increments are versatile, even if a shared owner takes advantage of this policy to its maximum extent, they will only have gained 15% equity at the end of 15 years. In comparison, if we allow 2-4% staircasing, this could increase equity by up to 60% if used in the same way.

Making staircasing more accessible could enable residents to achieve full ownership of their flat more easily, giving them greater flexibility to exit the product and move when necessary, which can help reduce the perception of being trapped. In contrast, perceived barriers to staircasing can limit residents' sense of control over their housing situation and the decisions they can make about their home.

90. **Shared-Ownership-Code-October-2025.pdf**
91. **Title**
92. **New_Model_Standard_Shared_Ownership_Key_Information_About_the_Home.odt**
93. **Right to Shared Ownership: buying a share of your rented home: Buying more shares ('staircasing') - GOV.UK**
94. **AHP_2021_to_2026_Shared_Ownership_flat_lease__October_2023____CPI_based_rent_review.docx**
95. **Right to Shared Ownership: buying a share of your rented home: Buying more shares ('staircasing') - GOV.UK**

Our third policy recommendation also increases transparency and control, as shared owners have more routes for climbing the housing ladder.



Policy details and costings

The policy would expand gradual staircasing to include shares of 2%, 3%, and 4%, with the same rules that apply to 1% staircasing. Gradual staircasing transactions would be limited to once a year to ease administrative burden on providers. Additional fees would also be foregone to ensure affordability for shared owners. House prices would be adjusted by regional HPI. Providers would give shared owners an HPI valuation at least once a year, or whenever they enquire about buying a share. Shared owners must then purchase the share within 3 months of the price being calculated.

There are two different implementation options for this policy:

A. Government to implement this policy under a future version of shared ownership funded by another Social and Affordable Homes Programme

B. Providers to take up the scheme voluntarily. This would require Homes England and GLA consent, as providers are bound to paragraph 7.2 in the Capital Funding Guide which details rules around staircasing. There is also a consideration as to whether this approach would meet our obligations under charity law to secure appropriate value for disposals and avoid conferring undue private benefit on individuals who are not charitable beneficiaries. Using HPI data in place of a RICS valuation may create some risk in this regard, as it could result in the share being sold for less than its market value. While the difference is likely to be negligible for a 1% share, it could become more significant for larger transactions.

It is uncertain what the level of demand would be for 2–4% staircasing. L&Q data tells us that shared owners rarely staircase in small chunks but rather do so to gain full ownership.
A probable explanation for this is that staircasing at smaller amounts but still having to pay extra fees is extremely unattractive, and it would save money to wait until you can staircase to 100% to avoid paying more rounds of additional fees.
If this is the case, then opening gradual access to 2-4% staircasing would be beneficial as the main barrier to smaller tranche sales would disappear.

One issue could be that instead of appealing to a new group of shared owners, this will only appeal to those who would have staircased at 5% regardless and are simply staircasing at a lower amount to skirt administration fees.
Before this policy is adopted, in-depth market research is required to confirm that this policy would encourage staircasing for those that would not have done otherwise.

To investigate what potential interest in this policy could be, the L&Q research team undertook two different exercises. First, the team contacted shared owners that participated in the systems thinking workshop and asked if this policy would appeal to them. Results were mixed, with some saying that it would be attractive as it would increase affordability and allow them to build more equity earlier. However, some said that focus should be put on making service charges more affordable as any policy that ignores that would be ineffective. Second, a survey was released on “L&Q and You”, an online community of involved residents. Out of 132 responses from shared owners, 73 or around half said they would be interested in this option. 21% said they didn’t know, and 23% said they wouldn’t be interested.

This indicates this could be a popular policy amongst shared owners and should be investigated further.

The proposed change is likely to increase the administrative burden on finance teams, as they would need to manage gradual staircasing arrangements and assess the resulting implications for systems and processes across both Unit4 and Arena. It would also lead to higher legal costs. However, these additional costs are justified if the change enables access to staircasing for a new customer group.
As such, this concern is largely dependent on whether demand for staircasing increases among previously underserved groups.

Recommendation: We recommend undertaking in-depth market research to determine customer demand for 2-4% gradual staircasing. If it appeals to those who would not be able to staircase otherwise, the policy will have significant merits. Facilitating staircasing creates mutual benefits for shared owners and housing associations alike. Full ownership should always be an achievable aspiration, and any policy measure that dismantles barriers to staircasing deserves full exploration.



9. Conclusion

Despite some improvements in affordability in recent years, London's housing market remains out of reach for too many. With house prices and deposit requirements far exceeding what most households, particularly younger people and families, can afford, the need for alternative pathways into homeownership remains strong.

Shared ownership plays an important role in this context. As a national low-cost homeownership product specifically designed for households who cannot afford to buy outright, it provides a crucial route onto the housing ladder for thousands of Londoners. For housing associations, it also supports the delivery of new affordable housing, balancing our charitable social purpose with the financial realities of development.

Nonetheless, shared ownership faces significant challenges. Resident satisfaction is lower than it should be, affordability pressures have intensified, and many shared owners report feeling constrained by the product. Yet shared ownership has endured for more than four decades precisely because it has evolved in response to changing economic conditions, policy priorities and housing needs. To continue playing a meaningful role in London's housing system, it must remain flexible and responsive to the challenges facing today's residents.

The findings from this research demonstrate that these challenges are interconnected. Dissatisfaction is not driven by a single factor, but by the compounding effects of building complexity, management arrangements, affordability pressures, staircasing barriers and resale difficulties. Improving outcomes for shared owners requires a coherent whole-systems approach that recognises how changes in one part of the system can ripple elsewhere.

In this report, we explored three policy interventions to address these challenges. While proportional provider contributions towards service charges would improve perceptions of fairness, the analysis suggests that the costs would be substantial and difficult to sustain. Nevertheless, the principle behind the proposal remains important, and **we recommend further exploration of how Government subsidy towards capital costs and major works could be funded,** which may help address concerns around fairness, affordability and accountability.

Alongside this, **expanding gradual staircasing to include purchases of 2%, 3% and 4% equity shares** could provide shared owners with greater flexibility to increase their stake in their home and reduce some of the barriers that currently prevent equity progression. Finally, **raising the London shared ownership income cap further to £120,000 for households with children** would also better reflect the realities of family life in the capital, supporting access to homeownership while increasing demand for shared ownership homes and improving resale prospects for existing residents.

Ultimately, while shared ownership is not without flaws, we believe it remains a vital part of London's housing landscape. The challenge is how to evolve the product to ensure it remains as effective as possible. By improving affordability, increasing flexibility and strengthening resident confidence, shared ownership can continue to provide a valuable route into homeownership for households who would otherwise be left behind, while supporting the delivery of the affordable homes London urgently needs.

While shared ownership is not without flaws, we believe it remains a vital part of London's housing landscape. The challenge is how to evolve the product to ensure it remains as effective as possible.



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For more information

L&Q Group
T: 0300 456 9998
www.lqgroup.org.uk

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